

ORIGINAL

1 VIRGINIA:

2 IN THE COUNTY OF WASHINGTON

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4 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

5 VIRGINIA GAS AND OIL BOARD

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9 MAY 21, 2002

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13 APPEARANCES:

14 MASON BRENT, GAS & OIL INDUSTRY REPRESENTATIVE

CLYDE KING, PUBLIC MEMBER

15 MAX LEWIS, PUBLIC MEMBER

BENNY WAMPLER, DIRECTOR OF THE DMME & CHAIRMAN

16

17 SANDRA RIGGS, COUNSEL FOR THE BOARD WITH THE ATTORNEY  
GENERAL'S OFFICE

18 BOB WILSON, DIRECTOR OF THE DIVISION OF GAS & OIL AND ACTING  
PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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EXHIBITS:  
None

\*\*\*\*AGENDA ATTACHED

1           BENNY WAMPLER: Good morning. My name is Benny  
2 Wampler. I'm Deputy Director for the Department of Mines,  
3 Minerals and Energy, and Chairman of the Gas & Oil Board.  
4 I'll ask the Board members to introduce themselves, starting  
5 with Mr. Brent.

6           MASON BRENT: My name is Mason Brent. I'm from  
7 Richmond, and I represent the oil and gas industry.

8           CLYDE KING: My names is Clyde King from Abingdon.  
9 I'm a public member.

10          MAX LEWIS: Max Lewis from Buchanan County, a  
11 public member.

12          SANDRA RIGGS: I'm Sandra Riggs with the Office of  
13 the Attorney General, present to advise the Board.

14          BOB WILSON: I'm Bob Wilson. I'm the Director of  
15 the Division of Gas and Oil, and the principal executive to  
16 the staff of the Board.

17          BENNY WAMPLER: First, I'll just tell you that...I  
18 know that all of us that have been at the Board hearings that  
19 this is not our typical setup. We do have some folks and  
20 I've invited them to sit where they can hear because  
21 we're...we have our backs to you and we apologize for that.  
22 Even if you want to come down in front or whatever, you can  
23 do that. Just make sure you're able to hear what's going on,  
24 particularly in this cases that you're interested in because  
25 when we get involved in this, it's hard for us to even

1 remember to speak loud enough sometimes. We'll try to do  
2 that. We'll try to be a little...have our tone a little  
3 higher today.

4 The first item on today's agenda is that the Board  
5 will reconvene docket VGOB-93-02/16-0328-01. This is unit  
6 Q-40. This is for further consideration of the applications  
7 filed by claimants for calculation and disbursement of funds  
8 on deposit in the drilling escrow account. We'd ask the  
9 parties that wish to address the Board in this matter to come  
10 forward at this time.

11 CRYSTAL STUMP: Mr. Chairman, Crystal Stump,  
12 appearing on behalf of Pocahontas Gas Partnership. This  
13 unit, or this item number one, we need to continue. The  
14 numbers are not reconciling with the bank and IOP at this  
15 time. We anticipate that this will be resolved in the near  
16 future.

17 BENNY WAMPLER: Any objection to a continuation?  
18 (No audible response.)

19 BENNY WAMPLER: That will be continued. Just as a  
20 matter of housekeeping, do we have any other...any other  
21 changes on the agenda or continuations?

22 CRYSTAL STUMP: No, we do not.

23 BENNY WAMPLER: The next item on the agenda is a  
24 petition from Buchanan Production Company for pooling of a  
25 coalbed methane unit under the Oakwood Coalbed Methane Gas

1 Field I order. This the Beatrice Mine sealed gob area  
2 identified N-20, today's docket number VGOB-02-05/21-1026.  
3 We'd ask the parties that wish to address the Board in this  
4 matter to come forward at this time.

5 CRYSTAL STUMP: Mr. Chairman and Board members, I'm  
6 Crystal Stump, appearing on behalf of Buchanan production.  
7 With me I have Les Arrington.

8 There is an amended notice of hearing because after  
9 the application that was filed, we discovered that some of  
10 the parties we had listed were deceased. A second  
11 publication of the amended notice has been undertaken and  
12 Exhibit B-3 and E were also revised to reflect that amendment  
13 relating to the deceased members.

14 BENNY WAMPLER: Okay.

15 CRYSTAL STUMP: I believe Anita has passed out all  
16 the information you'll need with respect to that change.

17 BENNY WAMPLER: The record will show there are no  
18 others. You may proceed.

19 (Leslie K. Arrington is duly sworn.)  
20

21 LESLIE K. ARRINGTON

22 Having been duly sworn, was examined and testified as  
23 follows:

24 DIRECT EXAMINATION

25 QUESTIONS BY MS. STUMP:

1 Q. Will you identify yourself to the Board?

2 A. Leslie K. Arrington, Gas Engineer for CNX  
3 Gas Company, L.L.C.

4 Q. And on unit N-20, who is the applicant?

5 A. Buchanan Production Company.

6 Q. And is Buchanan Production Company a  
7 Virginia General Partnership whose chief partners are Consol  
8 Energy, Incorporated and CNX Gas Company, L.L.C.?

9 A. Yes, it is.

10 Q. And is CNX a wholly owned indirect  
11 subsidiary of Consol Energy, Inc.?

12 A. Yes, it is.

13 Q. And is Buchanan Production Company  
14 authorized to do business in Virginia?

15 A. Yes, it is.

16 Q. And who is the designated operator?

17 A. Consol Energy.

18 Q. And are you requesting the Board that Consol  
19 Energy, Incorporated be designated the unit operator by the  
20 Board?

21 A. Yes, we are.

22 Q. Is Consol Energy, Incorporated a Delaware  
23 Corporation authorized to do business in the Commonwealth of  
24 Virginia?

25 A. Yes, it is.

1 Q. And is it also registered with the DMME and  
2 have...does it have a blanket bond on file as required by  
3 law?

4 A. Yes.

5 Q. Has the management committee of Buchanan  
6 Production Company delegated to Consol Energy, Incorporated  
7 as a successor of Consol, Incorporated, the authority to  
8 explore, develop, maintain the properties and assets of  
9 Buchanan Production Company?

10 A. Yes, it has.

11 Q. And it's a professional manager?

12 A. Yes, it is.

13 Q. And Consol Energy has accepted this  
14 delegation of authority to act as the professional manager?

15 A. Yes.

16 Q. Let's talk about the respondents. Are the  
17 names of the persons to be pooled listed in the amended  
18 notice of hearing and the amended exhibit B-3?

19 A. Yes, they are.

20 Q. And are the addresses also of the  
21 respondents listed in the amended notice of hearing?

22 A. Yes.

23 Q. Do you desire to add...to amend to add any  
24 additional respondents?

25 A. I think we have dismissed some of the

1 respondents which are listed on the exhibits that we have  
2 submitted.

3 Q. And you need to...you would like to dismiss  
4 the leased owners Mary P. Knight and M. James Perkins?

5 A. Yes, we do.

6 Q. Has Buchanan Production Company exercised  
7 due diligence to identify and locate persons having record  
8 title to oil, gas and/or coal?

9 A. Yes, we have.

10 Q. And having identified such persons, has it  
11 exercised due diligence in trying to locate them?

12 A. Yes, we have.

13 Q. Was the amended notice mailed to all for  
14 whom addresses were available on April the 19th?

15 A. Yes, we first mailed by certified mail/  
16 return receipt request on April the 19th. Then we again  
17 mailed on April the 26th of 2002. It was published the first  
18 time in the Bluefield Daily Telegraph on April the 24th of  
19 2002, and then again on April 30th of 2002.

20 Q. And were the certificates of notice and  
21 publication filed with exhibits that were tendered today?

22 A. Yes, they was.

23 Q. Regarding the standing of the applicant,  
24 what are the interests sought to be pooled?

25 A. The interest sought to be pooled is

1 35.51484% of the coalbed methane interest belonging to the  
2 oil and gas owners. We have a 100% of the coal leased  
3 beneath this unit and 64.48516% of the oil and gas, coalbed  
4 methane interest.

5 Q. And of the coal...of the lease...of those  
6 items that you have leased, what are the lease terms?

7 A. Our standard lease terms for a coalbed  
8 methane lease is a \$1 per acre per year for a coalbed methane  
9 lease with a five year paid up term and a one-eighth royalty.

10 Q. And is rental only payable on an annual  
11 basis until production commences?

12 A. Yes, it is.

13 Q. And thereafter only royalty payable?

14 A. Yes.

15 Q. Do you recommend the same terms to the Board  
16 to be included in any order which might be entered pertaining  
17 to persons who are deemed to be leased?

18 A. Yes, we do.

19 Q. Have you entered into efforts to enter into  
20 voluntary agreements?

21 A. Yes, we have.

22 Q. Could you describe those efforts?

23 A. That would be by mail, phone or by it being  
24 in person.

25 Q. Let's talk about the description of the

1 drilling unit. Is it an 80 acre unit under the Oakwood I  
2 rules?

3 A. It's...yes, it's an 80 acre unit, which was  
4 originally set up under the Oakwood Field.

5 Q. But it's to be produced under the Beatrice  
6 sealed gob areas?

7 A. Yes, it was.

8 Q. And do you seek to pool and develop all coal  
9 seams below the Tiller?

10 A. Yes, we do.

11 Q. And are there two wells already located on  
12 the unit?

13 A. N-20, no.

14 Q. How many...are there...well---.

15 A. There will be one well within this unit.

16 Q. Is that currently drilled?

17 A. No, it is not.

18 Q. Proposed to be drilled?

19 A. Proposed to be drilled to an estimated depth  
20 of 1830 feet; estimated cost of \$188,476.73.

21 Q. Does exhibit B-3 set forth the respondent's  
22 interest in the unit in question?

23 A. Yes, it does.

24 Q. And is this percentage relevant both to  
25 royalty interest and participation as either a participant or

1 a carried person?

2 A. Yes, it does.

3 Q. And does one take the percent in the unit  
4 times the estimated well costs which then gives you the  
5 participation costs and/or the carried interest multiplier?

6 A. Yes, it does.

7 Q. For royalty or income allocation, is the  
8 percentage interest in the unit the royalty interest?

9 A. It would be the percentage used to calculate  
10 the royalty interest, yes.

11 Q. Is the applicant's plan of development a  
12 reasonable plan for development of the coalbed methane  
13 resource within and under the unit for the benefit of the  
14 owners of the resource?

15 A. Yes, it is.

16 Q. And will the proposed well contribute to the  
17 protection of the correlative rights of the owners of the  
18 methane within and under the unit in question?

19 A. Yes, it will.

20 Q. And it will also lessen the likelihood of  
21 both physical waste and economic waste?

22 A. Yes, it will.

23 Q. Is escrow required on this unit?

24 A. Yes, it is, due to conflicting claims and  
25 unknown owners within Tract 1.

1           CRYSTAL STUMP: We don't have anything else to add.  
2 If the Board has any questions, we'll be happy to answer  
3 those.  
4           BENNY WAMPLER: Questions from members of the  
5 Board?  
6           MASON BRENT: Has the permit been issued yet?  
7           BENNY WAMPLER: Yes, it has.  
8           MAX LEWIS: Is that the best map that you could  
9 come up with to identify that?  
10          LESLIE K. ARRINGTON: Just a minute.  
11          (Leslie K. Arrington reviews his file.)  
12          LESLIE K. ARRINGTON: There apparently is another  
13 map, I believe. That's our standard---.  
14          MAX LEWIS: I don't see it  
15          LESLIE K. ARRINGTON: Let me see what you're  
16 holding up there.  
17          MAX LEWIS: Yeah.  
18          LESLIE K. ARRINGTON: That's our standard plat map.  
19 I'm not sure which one you was holding up there.  
20          MAX LEWIS: I was talking about that one right  
21 there.  
22          (Benny Wampler and Max Lewis confer.)  
23          BENNY WAMPLER: You listed possible surface owners.  
24 Has that been resolved?  
25          LESLIE K. ARRINGTON: On Tract 2?

1           BENNY WAMPLER: Tract 2, yes. You show...I'm not  
2 looking at it now.

3           LESLIE K. ARRINGTON: Yes. Tract 2. That would be  
4 the north/west corner of the unit.

5           BENNY WAMPLER: Right.

6           LESLIE K. ARRINGTON: We haven't identified that a  
7 100%. We're not going to be on that tract and we think  
8 that's who it was.

9           MAX LEWIS: Who?

10          LESLIE K. ARRINGTON: The Mary McGlothlin.

11          BENNY WAMPLER: Mary McGlothlin.

12          MAX LEWIS: Yeah.

13          BENNY WAMPLER: You're not on that tract?

14          LESLIE K. ARRINGTON: We're not on that tract.

15          BENNY WAMPLER: Questions?

16          CLYDE KING: I have a question.

17          BENNY WAMPLER: Mr. King?

18          CLYDE KING: Is...is...is that a creek or a road?

19          LESLIE K. ARRINGTON: Over in the---.

20          CLYDE KING: It says Pigeon Trail, I believe. Is  
21 that what it says?

22          LESLIE K. ARRINGTON: Are you speaking to the  
23 north/west corner also?

24          CLYDE KING: Right.

25          LESLIE K. ARRINGTON: Yes. There's a branch that

1 goes up through there, a jeep trail, which is identified.

2 Then our access road, if you---.

3 MAX LEWIS: I don't have that map.

4 LESLIE K. ARRINGTON: ---see the unit...the well  
5 itself, N-20, our access road comes in from the west. It  
6 comes in from the west corner there also.

7 CLYDE KING: But that where it says "jeep" is a  
8 branch?

9 LESLIE K. ARRINGTON: It's a...where it says "jeep"  
10 is just basically a jeep trail. Then there's a branch that  
11 comes up along that dotted line, dash and dotted line.

12 Yeah, and...now I see where she mentioned that "Do  
13 we have two wells within that unit?" Well, what we were  
14 doing was attempting to locate a well that we could get in  
15 and there was two wells identified on this map and we didn't  
16 get the N-20A off of the map. We're only doing N-20 at this  
17 time.

18 BENNY WAMPLER: So, you're only doing one well?

19 LESLIE K. ARRINGTON: One well.

20 BENNY WAMPLER: Of course, you're in a sealed gob  
21 here anyway?

22 LESLIE K. ARRINGTON: That's correct, in the  
23 Beatrice Seal, and according to this well's production, which  
24 was for the Beatrice unit as you know, was 350,000,000 cubic  
25 feet for that particular well. According to its production,

1 we may or may not come back and ask for additional units to  
2 be added. We have to do that after we see what it's going to  
3 do.

4 BENNY WAMPLER: Right.

5 MASON BRENT: What's the---?

6 MAX LEWIS: Pretty good here.

7 MASON BRENT: ---VVH-44? What is that?

8 LESLIE K. ARRINGTON: That VVH-44 was an old  
9 ventilation hole located in the Beatrice mine, which has  
10 been...that---.

11 MASON BRENT: It has been plugged?

12 LESLIE K. ARRINGTON: It has been plugged, yes.

13 BENNY WAMPLER: Any other questions?

14 (No audible response.)

15 BENNY WAMPLER: Do you have anything further?

16 CRYSTAL STUMP: No.

17 CLYDE KING: Are these people interested in this?

18 BENNY WAMPLER: No. That's number five, I believe,  
19 that they're interested in.

20 CLYDE KING: I move we approve.

21 BENNY WAMPLER: Motion to approve. Is there a  
22 second?

23 MASON BRENT: Second.

24 BENNY WAMPLER: Motion is second. Any further  
25 discussions?

1 (No audible response.)

2 BENNY WAMPLER: All in favor, signify by saying  
3 yes.

4 (All members signify by saying yes.)

5 BENNY WAMPLER: Opposed, say no.

6 (No audible response.)

7 BENNY WAMPLER: You have approval. The next item  
8 on the agenda is the Board will consider a petition from  
9 Buchanan Production Company for pooling of a coalbed methane  
10 unit under the Oakwood Coalbed Methane Gas Field I order,  
11 identified as ZZZ-20. This is docket number VGOB-02-05/21-  
12 1027. We'd ask the parties that wish to address the Board in  
13 this matter to come forward at this time..

14 CRYSTAL STUMP: Board members, Crystal Stump,  
15 appearing on behalf of Buchanan Production Company. With me  
16 I have Les Arrington.

17 BENNY WAMPLER: The record will show there are no  
18 others. Les, you've been previously sworn. You may proceed.

19

20 LESLIE K. ARRINGTON

21 DIRECT EXAMINATION

22 QUESTIONS BY MS. STUMP:

23 Q. Is the application Buchanan Production  
24 Company?

25 A. Yes, it is.

1 Q. And is Buchanan Production Company a  
2 Virginia General Partnership whose partners are Consol  
3 Energy, Incorporated and CNX Gas Company, L.L.C.?

4 A. Yes, it is.

5 Q. And CNX a wholly owned indirect subsidiary  
6 of Consol Energy, Incorporated?

7 A. Yes, it is.

8 Q. Is Buchanan Production Company authorized to  
9 do business in Virginia?

10 A. Yes, it is.

11 Q. And who is the designated operator?

12 A. Consol Energy.

13 Q. And are we requesting that Consol Energy be  
14 designated as unit operator by the VGOB?

15 A. Yes, we are.

16 Q. Is Consol Energy, Incorporated a Delaware  
17 Corporation, authorized to do business in the Commonwealth of  
18 Virginia?

19 A. Yes, it is.

20 Q. Is it also registered with the DMME and  
21 have...does it have a blanket bond on file as required by  
22 law?

23 A. Yes, it does.

24 Q. Has the management committee of Buchanan  
25 Production Company delegated to Consol Energy, Inc. as a

1 successor of Consol, Incorporated, the authority to explore,  
2 develop, and maintain the properties and assets of Buchanan  
3 Production Company as it's professional manager?

4 A. Yes, it is.

5 Q. And has Consol Energy accepted this  
6 delegation of authority?

7 A. Yes, it has.

8 Q. With respect to the respondents on this  
9 unit, are the names of the persons to be pooled listed in the  
10 notice of hearing and in exhibit B-3?

11 A. Yes, it is.

12 Q. Are their addresses also listed in the  
13 notice of hearing and in exhibit B-3?

14 A. Yes, it is.

15 Q. Do you wish to amend to add any respondents  
16 at this time?

17 A. No, we do not.

18 Q. Do you wish to dismiss any respondents?

19 A. No.

20 Q. Has Buchanan Production Company exercised  
21 due diligence to identify and locate persons having record  
22 title to oil, gas and/or coal?

23 A. Yes, it has.

24 Q. And having identified those persons, has BPC  
25 exercised due diligence in trying to locate them?

1           A.       Yes, it has.

2           Q.       Have you made notice to all for whom  
3 addresses were available?

4           A.       Yes, we did. We mailed to the respondents  
5 on April the 19th of 2002. It was published, I believe, in  
6 the Bluefield Daily Telegraph on April the 24th of 2002.

7           Q.       And were the certificates of notice and  
8 publication filed with the exhibits which were tendered to  
9 the Board today?

10          A.       Yes, it was.

11          Q.       Regarding the standing of the applicant, can  
12 you describe the interest sought to be pooled?

13          A.       Yes, I can. We have 99.5917% of the coalbed  
14 methane interest leased from both coal, oil and gas owners.  
15 We're seeking to pool 0.4083% of the coal, oil and gas,  
16 coalbed methane interest. We have 99.5917% of the coal  
17 leased beneath this unit.

18          Q.       And what are those lease terms?

19          A.       For our standard coalbed methane lease is a  
20 \$1 per acre per year, a five year paid up term with a one-  
21 eighth production royalty.

22          Q.       And is rental only payable on an annual  
23 basis until production commences?

24          A.       Yes, it is.

25          Q.       And thereafter only royalty is payable?

1 A. Yes.

2 Q. Do you recommend these terms to the Board to  
3 be included in any order which might be entered pertaining to  
4 persons who are deemed to be leased?

5 A. Yes, we do.

6 Q. Did you make efforts to enter into voluntary  
7 agreements?

8 A. Yes, we have, and still are.

9 Q. Is the unit an 80 acre unit under the  
10 Oakwood I rules?

11 A. Yes, it is.

12 Q. And there to be produced as a frac unit?

13 A. Yes.

14 Q. And do you seek to pool and develop all coal  
15 seams below the tiller under the Oakwood I Field rules?

16 A. Yes, it is.

17 Q. And what are the number of wells currently  
18 drilled or proposed?

19 A. One.

20 Q. Are there any wells requiring a located  
21 exception?

22 A. No.

23 Q. What are the estimated costs per well?

24 A. This well was drilled to a total depth of  
25 2,266.78 feet at a cost of a \$199,587.94.

1 Q. Does exhibit B-3 set forth the respondent's  
2 interest in the unit in question?

3 A. Yes, it does.

4 Q. And is this percentage relevant to both  
5 royalty interest and participation either as a participant or  
6 a carried person?

7 A. Yes.

8 Q. Do you take the percent in the unit times  
9 the estimated well costs which gives you the participation  
10 cost and/or the carried interest multiplier?

11 A. Yes.

12 Q. Is the applicant's plan of development a  
13 reasonable plan for development?

14 A. Yes, it is.

15 Q. Will the proposed well contribute to the  
16 protection of the correlative rights of the owners of the  
17 methane within and under the unit in question?

18 A. Yes, it does.

19 Q. And does it lessen the likelihood of both  
20 physical waste and economic waste?

21 A. Yes, it does.

22 Q. Is escrow required?

23 A. No, it is not.

24 CRYSTAL STUMP: We request that the Board grant the  
25 petition. We'll be happy to answer any questions.

1           BENNY WAMPLER: Any questions from members of the  
2 Board?

3           (No audible response.)

4           BENNY WAMPLER: The well is on the surface of  
5 Environmental Disposal System, Incorporated?

6           LESLIE K. ARRINGTON: Yes, it is.

7           MAX LEWIS: Where are they located at?

8           LESLIE K. ARRINGTON: I believe it's in the Bristol  
9 area. They moved around a little bit on us. It was formerly  
10 Rapoca interest and then I think they've moved down to the  
11 Bristol area now.

12          CLYDE KING: They are.

13          BENNY WAMPLER: Your access is coming in on Pioneer  
14 Group surface?

15          LESLIE K. ARRINGTON: Yes, it is.

16          BENNY WAMPLER: Any questions from members of the  
17 Board?

18          (No audible response.)

19          BENNY WAMPLER: Is there a motion?

20          CLYDE KING: So moved.

21          BENNY WAMPLER: Motion for approval. Is there a  
22 second?

23          MASON BRENT: I second.

24          BENNY WAMPLER: Motion and second. Any further  
25 discussion?

1 (No audible response.)

2 BENNY WAMPLER: All in favor, signify by saying  
3 yes.

4 (All members signify by saying yes.)

5 BENNY WAMPLER: Opposed, say no.

6 (No audible response.)

7 BENNY WAMPLER: You have approval. The next item  
8 on the agenda is a petition from Buchanan Production Company  
9 for pooling of a coalbed methane unit under the Oakwood  
10 Coalbed Methane Gas Field I order identified as ZZZ-23. This  
11 is docket number VGOB-00-09/19-0822-01. We'd ask the parties  
12 that wish to address the Board in this matter to come forward  
13 at this time.

14 CRYSTAL STUMP: Crystal Stump, appearing on behalf  
15 of Production Company. With me is Les Arrington.

16 BENNY WAMPLER: The record will show there are no  
17 others. You may proceed.

18

19 LESLIE K. ARRINGTON

20 O EXAMINATION

21 QUESTIONS BY MS. STUMP:

22 Q. Is the applicant Buchanan Production  
23 Company?

24 A. Yes, it is.

25 Q. And is Buchanan Production Company a

1 Virginia General Partnership whose two partners Consol  
2 Energy, Incorporated and CNX Gas Company, L.L.C.?

3 A. Yes, it is.

4 Q. And CNX a wholly owned indirect subsidiary  
5 of Consol Energy, Incorporated?

6 A. Yes.

7 Q. Is Buchanan Production Company authorized to  
8 do business in Virginia?

9 A. Yes, it is.

10 Q. And who is the designated operator?

11 A. Consol Energy.

12 Q. And you're that requesting the Board  
13 designate Consol Energy as the unit operator?

14 A. Yes, we are.

15 Q. Is Consol Energy, Incorporated a Delaware  
16 Corporation authorized to do business in the Commonwealth of  
17 Virginia?

18 A. Yes, it is.

19 Q. And is Consol Energy, Incorporated  
20 registered with the DMME?

21 A. Yes, it is.

22 Q. And does it have a blanket bond on file as  
23 required by law?

24 A. Yes, it does.

25 Q. Has the management committee of Buchanan

1 Production Company delegated to Consol Energy, Incorporated  
2 as the successor of Consol, Incorporated, the authority to  
3 explore, develop, maintain the properties and assets of  
4 Buchanan Production Company as it's professional manager?

5 A. Yes, it has.

6 Q. And has Consol Energy, Incorporated accepted  
7 this delegation of authority?

8 A. Yes, it has.

9 Q. With respect to the respondents on this  
10 unit, are the names of the persons to be pooled listed in the  
11 notice of hearing and in exhibit B-3?

12 A. Yes, they are.

13 Q. And are their addresses listed...are the  
14 addresses of the respondents listed in the notice set forth  
15 in exhibit B-3?

16 A. Yes...yes, they are.

17 Q. Do you desire to amend to add any additional  
18 respondents at this time?

19 A. Yes. You might notice that we have  
20 dismissed several parties. Mary Bricker, Jamie Vansant,  
21 Ellen Story, First Community Bank for the Estate of Sarah  
22 Bowen Reiland, Bowen Grandchildren's Trust, Patricia A. Bowen  
23 Trust, Ava Long and Gene Long. After due diligence, we found  
24 this person and we have subsequently leased that interest.  
25 Hazel Drum, Margaret Clowney, Betty White, Perry Angles, Sr.

1 and Forest Bricker, Jr. We need to add the following owners:  
2 Laura Crigger, Connie Buckley and Nancy Markland.

3 Q. And these folks are all set forth in exhibit  
4 B-2?

5 A. Yes, they are.

6 Q. Has Buchanan Production Company exercised  
7 due diligence to identify and locate all persons having  
8 record title to oil, gas and/or coal?

9 A. Yes, we have.

10 Q. And have you ident...after identifying such  
11 persons, have you exercised due diligence in trying to locate  
12 them?

13 A. Yes, we have.

14 Q. Was notice mailed to those for whom  
15 addresses were available?

16 A. Yes, on April the 19th, 2002. It was  
17 published in the Bluefield Daily Telegraph on April the 25th  
18 of 2002.

19 Q. And are the certificates of notice and  
20 publication filed with the exhibits which were tendered to  
21 the Board today?

22 A. Yes, it was.

23 Q. And can you describe the interest sought to  
24 be pooled as set forth---?

25 A. Yes. We have 86.583107% of the interest of

1 the coal, oil and gas, coalbed methane interest leased.  
2 We're seeking to pool 13.416893% of the coal, oil and gas,  
3 coalbed methane interest. We have 100% of the coal leased  
4 beneath this unit.

5 Q. And for those which were leased, can you  
6 describe the lease terms?

7 A. Yes. For a standard coalbed methane lease,  
8 it's a \$1 per acre per year for a coalbed methane lease, a  
9 five year paid up term with a one-eighth production royalty.

10 Q. And rental is only payable on an annual  
11 basis until production commences?

12 A. Yes, it is.

13 Q. And thereafter only royalty is payable?

14 A. Correct.

15 Q. And do you recommend these same terms to the  
16 Board to be included in any order which will be entered  
17 pertaining to persons who are deemed to be leased?

18 A. Yes, we do.

19 Q. Have you tried to enter into voluntary  
20 agreements with those you seek to pool?

21 A. Yes, we have.

22 Q. Is the unit an 80 acre unit under the  
23 Oakwood I rules?

24 A. Yes, it is.

25 Q. And it's to be produced as a frac unit?

1 A. Yes, it is.

2 Q. And you seek to pool and develop all coal  
3 seams below the tiller under the Oakwood I rules?

4 A. Yes, we do.

5 Q. And the number of wells currently drilled or  
6 proposed is one?

7 A. Yes, it is.

8 Q. And does this well require a location  
9 exception?

10 A. No, it doesn't.

11 Q. Okay. And what is the estimated cost for  
12 the well?

13 A. The estimated depth for the well was  
14 2,400.05 feet; estimated cost is \$231,896.30.

15 Q. Does exhibit B-3 set forth the respondent's  
16 interest in the unit in question?

17 A. Yes, it does.

18 Q. And is this percentage set forth relevant  
19 both to royalty interest and participation either as a  
20 participant or a carried person?

21 A. Yes.

22 Q. Is the applicant's plan of develop a  
23 reasonable plan for development of the coalbed methane  
24 resource within and under the unit for the benefits of the  
25 owners of the resource?

1 A. Yes, it does.

2 Q. And will the proposed well contribute to the  
3 protections of the rights of the owners of the methane within  
4 and under the unit in question?

5 A. Yes, it does.

6 Q. And does it also lessen the likelihood of  
7 both physical and economic waste?

8 A. Yes, it will.

9 Q. Is escrow required on this unit?

10 A. Yes, it is, due to unknown owner.

11 Q. Okay. And that escrow is set forth in  
12 exhibit E for the Board's reference?

13 A. I think we'll have to submit an exhibit E.

14 Q. Okay.

15 CRYSTAL STUMP: Buchanan Production requests that  
16 their application be granted and will get an exhibit E  
17 submitted to the---.

18 SANDRA RIGGS: Exhibit E usually only shows  
19 conflicting. We pick the unknowns up off of the exhibit B-3.  
20 Are there conflictings as well?

21 LESLIE K. ARRINGTON: They're...no, there is not  
22 conflict. But---.

23 CRYSTAL STUMP: Just address unknowns.

24 LESLIE K. ARRINGTON: ---this is address unknowns.

25 CRYSTAL STUMP: So, we can take that from exhibit

1 B-3 then.

2 LESLIE K. ARRINGTON: Okay.

3 CRYSTAL STUMP: Thank you.

4 BENNY WAMPLER: Of course, we talked in terms of  
5 the estimated well---

6 LESLIE K. ARRINGTON: Yes.

7 BENNY WAMPLER: ---and the estimated cost and  
8 actually the well has been drilled and producing for a year.

9 LESLIE K. ARRINGTON: Uh-huh. It...yes, it is.

10 BENNY WAMPLER: This is repooling?

11 LESLIE K. ARRINGTON: It is. We discovered the  
12 Kroll's own a huge boundary. What we discovered was they did  
13 own a huge boundary but there was two tracts involved in that  
14 boundary. We had to come back and correct it for that issue.

15 BENNY WAMPLER: Okay. Any questions from members  
16 of the Board?

17 MASON BRENT: The estimated cost, is that the  
18 actual cost?

19 LESLIE K. ARRINGTON: It's getting near the real  
20 actual cost.

21 MASON BRENT: What was that number again?

22 LESLIE K. ARRINGTON: 2...I'm sorry. \$231,896.30.

23 MAX LEWIS: You know, I worked in the gas field for  
24 forty-two years.

25 LESLIE K. ARRINGTON: Uh-huh.

1           MAX LEWIS: And we never drilled on a piece of  
2 property we didn't know who owed it.

3           LESLIE K. ARRINGTON: You did what?

4           MAX LEWIS: We never drilled on a piece of property  
5 that we didn't know who the owner was. You've got on here  
6 unknown.

7           LESLIE K. ARRINGTON: On the B-3?

8           MAX LEWIS: Yeah.

9           LESLIE K. ARRINGTON: Yes, sir. That's a party  
10 that we cannot find who that is.

11          BENNY WAMPLER: Did you drill on that piece of  
12 property?

13          LESLIE K. ARRINGTON: I don't believe this...I need  
14 to look real quick. I don't think we did in this---.

15          BENNY WAMPLER: You're right in the corner of the  
16 window.

17          LESLIE K. ARRINGTON: Tract 1. No, I don't think  
18 we...no, we did not drill on that tract. It's part of the  
19 unit. We didn't drill on the unknown piece where the unknown  
20 owner was.

21          MAX LEWIS: You didn't build a road or anything on  
22 it?

23          LESLIE K. ARRINGTON: No. No.. In---.

24          MAX LEWIS: Made no pipeline on it?

25          LESLIE K. ARRINGTON: No. No. All the access was

1 from the west coming into that well. Those tracts...that  
2 tract is on the eastern side of that well.

3 MAX LEWIS: Well, you've got it listed as unknown  
4 surface.

5 LESLIE K. ARRINGTON: Well, that's correct. Tract  
6 No. 1 is the well...is the tract that the well is located on.  
7 We...that tract is a C. L. Ritter fee tract where they own  
8 the surface, coal, oil and gas.

9 MAX LEWIS: Yeah.

10 LESLIE K. ARRINGTON: And that's...that's the tract  
11 that we operate on. If you'll take note to tract, I believe,  
12 it's 4C...4C and...4C...4A and 4C. Those two tracts, we have  
13 since...we have since purchased those two surface tracts.

14 CLYDE KING: You've purchased them?

15 LESLIE K. ARRINGTON: The surface tracts. Yes, we  
16 have.

17 MAX LEWIS: But you didn't purchase 4A?

18 LESLIE K. ARRINGTON: We purchased 4A and 4C and we  
19 did not on Tract 3. You'll notice that it's a Mary Lou  
20 Kroll...Kroll heirs, also.

21 MAX LEWIS: Yeah.

22 LESLIE K. ARRINGTON: Tract 3 we did not purchase  
23 the surface on that tract, but we did on 4A and 4C.

24 BENNY WAMPLER: You'll need to submit a revised  
25 tract identification for that...to reflect that.

1           LESLIE K. ARRINGTON: Okay.

2           BENNY WAMPLER: Other questions from members of the  
3 Board?

4           (No audible response.)

5           BENNY WAMPLER: Do you have anything further?

6           CRYSTAL STUMP: Nothing further on this unit.

7           BENNY WAMPLER: Is there a motion?

8           MASON BRENT: Mr. Chairman, I move that we grant  
9 the application.

10          BENNY WAMPLER: Motion to approve. Is there a  
11 second?

12          CLYDE KING: Second.

13          BENNY WAMPLER: Any further discussions?

14          (No audible response.)

15          BENNY WAMPLER: All in favor, signify by saying  
16 yes.

17          (All members signify by saying yes.)

18          BENNY WAMPLER: Opposed, say no.

19          (No audible response.)

20          BENNY WAMPLER: You have approval. The next item  
21 on the agenda is a petition from Pocahontas Gas Partnership  
22 for pooling of a coalbed methane unit under the Middle Ridge  
23 I Coalbed Methane Gas Field order. This is identified as AZ-  
24 115, docket number VGOB-02-05/21-1028. We'd ask the parties  
25 that wish to address the Board in this matter to come forward

1 at this time.

2 CRYSTAL STUMP: My name is Crystal Stump. I'm here  
3 on behalf of Pocahontas Gas Partnership. I understand that  
4 Mr. and Mrs. Oliver are here as well as interested parties.

5 BENNY WAMPLER: If you will just for the record,  
6 state your names, please.

7 CHARLIE PRICE: Charlie Price.

8 NEDIE PRICE: And Nedie Price.

9 BENNY WAMPLER: Mr. Arrington, you're reminded  
10 you're still under oath.

11 LESLIE K. ARRINGTON: Yes.

12 BENNY WAMPLER: You may proceed.

13

14 LESLIE K. ARRINGTON

15 DIRECT EXAMINATION

16 QUESTIONS BY MS. STUMP:

17 Q. Is this...is the applicant Pocahontas Gas  
18 Partnership?

19 A. Yes, it is.

20 Q. And is Pocahontas Gas Partnership a Virginia  
21 General Partnership?

22 A. Yes, it is.

23 Q. And are its two partners Consol Energy,  
24 Incorporated and Consolidation Coal Company?

25 A. Yes, it is.

1 Q. Is Pocahontas Gas Partnership authorized to  
2 do business in Virginia?

3 A. Yes, it is.

4 Q. Are you requesting that Pocahontas Gas  
5 Partnership be designated the unit operator by the Virginia  
6 Gas and Oil Board?

7 A. Yes, we are.

8 Q. And is Pocahontas Gas Partnership authorized  
9 to do business in the Commonwealth of Virginia?

10 A. Yes, it is.

11 Q. And is it registered with the DMME?

12 A. Yes, it is.

13 Q. And does it have a blanket bond on file as  
14 required by law?

15 A. Yes, it does.

16 Q. With respect to the respondents, are the  
17 names of the persons to be pooled listed in the notice of  
18 hearing in exhibit B-3?

19 A. Yes, they are.

20 Q. And are the addresses of the respondents  
21 listed in the notice of hearing set forth in exhibit B-3 as  
22 well?

23 A. Yes, it is.

24 Q. Do you desire to amend the application to  
25 add any respondents?

1 A. No.

2 Q. And do you wish to dismiss any respondents?

3 A. No.

4 Q. Has PGP exercised due diligence to identify  
5 and locate persons having record title to oil, gas and/or  
6 coal?

7 A. Yes, we have.

8 Q. And having identified those persons, has PGP  
9 exercised due diligence in trying to locate them?

10 A. Yes, we have.

11 Q. Has notice been mailed to all of those for  
12 whom addresses were available?

13 A. Yes, we have.

14 Q. And when was that?

15 A. It was mailed on April the 19th of 2002. It  
16 was published in the Bluefield Daily Telegraph on April the  
17 26th of 2002. Then a second mailing where we had the  
18 incorrect hearing date on our notice of hearing, the second  
19 mailing occurred on the April the 23rd of 2002.

20 Q. And have you provided the Board with  
21 certificates of notice and publication?

22 A. Yes, we have.

23 Q. With respect to standing of the applicant,  
24 can you describe the interest sought to be pooled?

25 A. Yes. We have leased 97.0208% of the coalbed

1 methane interest from the coal owner. 72.5741% of the  
2 coalbed methane interest from the oil and gas owner. We're  
3 seeking to pool 2.9792% of the coalbed methane interest from  
4 the coal owner and 27.4259% of the coalbed methane interest  
5 from the oil and gas owner. We have 97.0208% of the coal  
6 leased beneath this tract.

7 Q. Of those into which you've entered leases,  
8 can you describe to the Board the lease terms offered?

9 A. Yes. Our standard lease is a \$1 per acre  
10 per year for a coalbed methane lease with a five year paid up  
11 term with a one-eighth production royalty.

12 Q. And rental is only payable on an annual  
13 basis until production commences?

14 A. Yes, it is.

15 Q. And thereafter royalty is payable?

16 A. Yes.

17 Q. Do you recommend these terms to the Board to  
18 be included into order which might be entered pertaining  
19 persons who are deemed to be pooled---?

20 A. Yes, we---.

21 Q. ---or leased rather?

22 A. Yes, we do.

23 Q. Have you entered in...made efforts to enter  
24 into voluntary agreements?

25 A. Yes, we have.

1 Q. Is the unit a 58.74 acre frac well unit  
2 under the Middle Ridge I rules?

3 A. Yes, it is.

4 Q. And do you seek to pool and develop all coal  
5 seams from the Jawbone, assuming it's below drainage, on down  
6 to the Red and Green Shells?

7 A. Yes, we do.

8 Q. And how many wells are currently drilled or  
9 proposed?

10 A. One well within this unit. Estimated depth  
11 is 2,390 feet. The estimated cost is \$200,339.10.

12 Q. Does it require a location exception?

13 A. No.

14 Q. And does exhibit B-3 set forth the  
15 respondents interest in the unit in question?

16 A. Yes, it does.

17 Q. And is the percentage listed there relevant  
18 to both royalty interest and participation as either a  
19 participant or a carried person?

20 A. Yes, it does.

21 Q. Is the applicant's plan of development a  
22 reasonable plan for development of the coalbed methane  
23 resource within and under the unit for the benefit of the  
24 owners?

25 A. Yes, it is.

1 Q. And will the proposed well contribute to the  
2 protection of the rights of the owners in the methane within  
3 and under the unit?

4 A. Yes, it does.

5 Q. And will it also lessen the likelihood of  
6 both physical and economic waste?

7 A. Yes, it will.

8 Q. Is escrow required on this unit?

9 A. Yes, it is for conflicting owners and also  
10 an unknown owner.

11 Q. Is that set forth in exhibit E?

12 A. E and B-3.

13 CRYSTAL STUMP: The applicant doesn't have anything  
14 further at this time.

15 BENNY WAMPLER: Do you want to talk to us now about  
16 your concerns?

17 CHARLIE PRICE: Well, they went across my property  
18 and they let on like it wasn't on me until I went up there  
19 and showed them where it was at. Then they went back and got  
20 a map on it and found out it was. They paid me for the road.  
21 I went back up there later and they had put the power lines  
22 across it. They were supposed to have brought it up from the  
23 Strow Creek. I can't get a hold of nobody to see if they're  
24 going to pay me for it. I wanted to know if I had any rights  
25 to any percentage. They just said I owned the land, no

1 rights. But it was under minerals is what they called it. I  
2 just wanted to know if I had any rights on any percentage of  
3 it.

4 BENNY WAMPLER: Where...where is he on the tract  
5 identification?

6 CHARLIE PRICE: It's up on Strow Creek.

7 LESLIE K. ARRINGTON: I've got his information. As  
8 soon as we leave from here, I will talk to the land agent  
9 that had been dealing with him and the power line issue will  
10 be taken care of. Dan Keen, who is the agent, may have  
11 assumed that the power line was following the road, which the  
12 road and well site. He may have assumed that and thought he  
13 had cleared up the power line issue. Again, not knowing what  
14 the deals are and not having that in my hand. But I will  
15 contact Dan and Dan will talk to Mr. Price as soon as that's  
16 possible.

17 BENNY WAMPLER: Okay, that takes care of your  
18 concern about that. But your other question was, do you have  
19 the right to any of the gas...any of the royalty off of gas,  
20 right?

21 CRYSTAL STUMP: Mr. Price is listed on page two of  
22 exhibit B-3 as one of those whose individual interest are not  
23 yet determined, which is one of the reasons for the escrow to  
24 protect those potential rights.

25 BENNY WAMPLER: And do you want to tell him what

1 you'd do if you determine that he does have a right?

2           LESLIE K. ARRINGTON: Yes. He has basically three  
3 options. One, to be deemed leased, which was under the terms  
4 of the Board order assuming that it would be approved, would  
5 be the \$1 per acre per year for a coalbed methane lease and a  
6 one-eighth production royalty; or you'll have the option to  
7 participate within the well; or an option to be a carried  
8 operator which you won't have to put any money up at that  
9 time. We'll get to collect 200% of our...cost of our well.  
10 Then you would be basically a participating operator. Those  
11 interest...the interest that you would have to calculate that  
12 from would be shown on exhibit B-3. You'll notice in the  
13 interest in the unit, if you'll take that interest number and  
14 multiply that times the estimated cost of the well. That  
15 would be the amount of money that it would cost you to  
16 participate.

17           BENNY WAMPLER: And tell him which one he's in,  
18 which tract.

19           LESLIE K. ARRINGTON: Tract 4.

20           BENNY WAMPLER: Do you already know that, that  
21 you're in Tract 4?

22           CHARLIE PRICE: I don't know.

23           BENNY WAMPLER: Okay. What about 5?

24           LESLIE K. ARRINGTON: I'm sorry. I did say Tract  
25 5. I'm sorry. It is Tract 5 when I said 4.

1           SANDRA RIGGS: It's both.

2           LESLIE K. ARRINGTON: Okay. Yes.

3           BENNY WAMPLER: Showing four and five.

4           LESLIE K. ARRINGTON: Yes, it is.

5           BENNY WAMPLER: Tract 4 and 5. So, it will be that  
6 percentage of interest...total percentage of interest of that  
7 entire tract, and 4 is 24.4297. Is that correct, Les?

8           LESLIE K. ARRINGTON: Yes, it is. This tract since  
9 there was some address unknowns and heirs that we can't  
10 identify. We weren't able to determine the exact individual  
11 interest there. We're still working on that. We haven't  
12 been able to determine that yet.

13           CLYDE KING: Where is their property on this map?

14           LESLIE K. ARRINGTON: Just a minute. Tract 4 would  
15 be in the northwestern area of it, Tract 4, and then also  
16 Tract 5 in the southwest corner. You'll see Tract 5 in the  
17 southwest corner.

18           BENNY WAMPLER: Did you folks receive this  
19 information? Do you have what we're talking about? Did you  
20 receive this, the plats and everything?

21           NEDIE PRICE: We received some. But we...I  
22 couldn't understand them. She's letting us look at hers.

23           (Ms. Stump confers with Mr. and Mrs. Price.)

24           LESLIE K. ARRINGTON: They probably did receive  
25 three packages.

1           CRYSTAL STUMP: She just said they received three  
2 packages.  
3           LESLIE K. ARRINGTON: Yes.  
4           BENNY WAMPLER: You can keep that for references.  
5 It's the same thing you've received, I'm sure.  
6           (Bob Wilson confers with Mr. and Mrs. Price and the  
7 Board confers among themselves.)  
8           BENNY WAMPLER: We'll need a new tract  
9 identification showing him there on the surface.  
10          LESLIE K. ARRINGTON: Okay.  
11          BENNY WAMPLER: We're not---.  
12          LESLIE K. ARRINGTON: Okay. I gotcha. His power  
13 line problem and he also mentioned that they had done  
14 something to the gate. Just as soon as I finish here today,  
15 we'll talk to the land agent that normally does that.  
16          SANDRA RIGGS: Which tract...which tract is he  
17 referring to when he---.  
18          LESLIE K. ARRINGTON: The power line---.  
19          SANDRA RIGGS: ---talks about his surface tract.  
20 What is his surface tract?  
21          LESLIE K. ARRINGTON: Okay, let me...I'll have to  
22 go back and look.  
23          MAX LEWIS: Did they put a gate up on your  
24 property?  
25          CHARLIE PRICE: Yeah. Somebody done tore it down.

1           LESLIE K. ARRINGTON: Yeah. And then when our  
2 hands went back and fixed it...what we normally do is when we  
3 have a surface owner that's in the area, we put a standard  
4 lock box on it that we can put our lock in it and his lock.  
5 When our hands went back and refixed the gate, that they only  
6 put our lock back in it.

7           MAX LEWIS: I've done a hundred of them.

8           LESLIE K. ARRINGTON: So, we'll take care of that  
9 issue.

10          CHARLIE PRICE: It's on top of that hill where I go  
11 up at. Somebody tore the gate out up there and they changed  
12 the locks on it. I can't get up that way.

13          LESLIE K. ARRINGTON: Yeah. So, you know, we'll...  
14 those are things that happen to us just about daily. We'll  
15 have to fix that.

16          CLYDE KING: Why would you not put his lock back?

17          LESLIE K. ARRINGTON: Well, when the welder goes  
18 out to fix it, at times he's there to get the gate  
19 operational and closed back. He has just fixed it  
20 improperly. We'll get it fixed.

21          CLYDE KING: Here's a man that says somebody tore  
22 his gate down and couldn't get in.

23          LESLIE K. ARRINGTON: No.

24          SANDRA RIGGS: It was their gate.

25          LESLIE K. ARRINGTON: No. Well, it was basically

1 our gates. What we do is double lock them so the property  
2 owner will have an access through gates.

3 CLYDE KING: Your gate on his property?

4 MAX LEWIS: Right.

5 LESLIE K. ARRINGTON: Yes, it will be. And we  
6 don't...we built---.

7 MAX LEWIS: It's his gate after it goes on his  
8 property.

9 LESLIE K. ARRINGTON: And build those gates...yeah,  
10 and when it gets torn out, it's our gate then.

11 (Everyone laughs.)

12 MAX LEWIS: I know that. I know it. I've  
13 done...I've fixed a many of them.

14 LESLIE K. ARRINGTON: So, what we build those...we  
15 build those gates---.

16 MAX LEWIS: I know it. I know that.

17 LESLIE K. ARRINGTON: ---so it has the capability  
18 to be unlocked by two locks.

19 MAX LEWIS: The best way to---.

20 LESLIE K. ARRINGTON: And then one person can  
21 unlock it and go through or we can unlock our lock and go  
22 through it.

23 MAX LEWIS: You just take two pieces of chain and  
24 you lock one end and the other end.

25 LESLIE K. ARRINGTON: We quit doing that. We have

1 to...we've tried to get away from the chains.

2 MAX LEWIS: Lock one lock in other one.

3 LESLIE K. ARRINGTON: No. We build a lock box so  
4 they can't get---.

5 MAX LEWIS: Yeah, I know it.

6 LESLIE K. ARRINGTON: ---up inside of it.

7 MAX LEWIS: I understand that too. I know how it  
8 does.

9 CHARLIE PRICE: The ones I'm referring to is at the  
10 top of the hill where you start upon the mountain---.

11 LESLIE K. ARRINGTON: Okay.

12 CHARLIE PRICE: ---where they tore it out and then  
13 they changed locks on me up there and I can't get through it.

14 LESLIE K. ARRINGTON: Okay. It's not a problem.  
15 We'll work on that.

16 BENNY WAMPLER: We're still trying to find the  
17 surface.

18 LESLIE K. ARRINGTON: Yes, sir. I'm sorry.

19 BENNY WAMPLER: They're telling us they're going to  
20 deal with you on the...where they put the power line in and  
21 that they're going to get you your lock back.

22 CHARLIE PRICE: The way it talked, just the road  
23 was all that was suppose to went through there. The rest of  
24 it was suppose to go on the mountain of Strow Creek. They  
25 didn't mention nothing on the power line when we signed the

1 contract on the road. But he'd done put the road across and  
2 before I even knew he was on it. He tried to let on like he  
3 wasn't on me. But he went back and checked it out and he  
4 found out that he was.

5 LESLIE K. ARRINGTON: Is your tract listed by some  
6 other name, your surface tract?

7 CHARLIE PRICE: Charlie Price, I reckon.

8 NEDIE PRICE: Charlie Price.

9 CHARLIE PRICE: Bascom...it may be Bascom Price. I  
10 forget which one it's under. But it's under mineral and  
11 ground is what it's suppose to be under.

12 LESLIE K. ARRINGTON: And since you're part of the  
13 Daily Strouth---.

14 CRYSTAL STUMP: Yeah, the Daily Strouth.

15 LESLIE K. ARRINGTON: J. P. Strouth.

16 CHARLIE PRICE: Yeah. It was left to my grandpa.

17 LESLIE K. ARRINGTON: Okay. Is that the tract that  
18 your surface is on? I can't---.

19 CHARLIE PRICE: Yeah.

20 BENNY WAMPLER: On J. P. Strouth.

21 LESLIE K. ARRINGTON: It would be tract...J. P.  
22 Strouth heirs.

23 CHARLIE PRICE: Uh-huh.

24 LESLIE K. ARRINGTON: Tract 4. .

25 BENNY WAMPLER: You've got it listed as Tract 5 on

1 here.

2 CRYSTAL STUMP: Tract 5, right?

3 LESLIE K. ARRINGTON: I'm sorry. Tract 5.

4 Daggone.

5 CLYDE KING: Tract 5 has got it listed.

6 BENNY WAMPLER: For coal, but not surface, see, on  
7 either one of them. So, it may...that's why we're having---

8 LESLIE K. ARRINGTON: Daily Strouth, Tract 5. It  
9 says Daily Strouth.

10 BENNY WAMPLER: Surface there?.

11 LESLIE K. ARRINGTON: Surface oil and gas.

12 BENNY WAMPLER: But when we talk about 4, is it  
13 surface also? It's not listed under 4 here.

14 LESLIE K. ARRINGTON: I'm sorry.

15 CHARLIE PRICE: (Inaudible).

16 CRYSTAL STUMP: Under 4, I think his is the second  
17 one where they're saying is H. C. Bostic Coal Company or  
18 Joseph L. Strouth heirs.

19 BENNY WAMPLER: Okay.

20 CRYSTAL STUMP: But that's just listed oil and gas.

21 BENNY WAMPLER: That just lists oil and gas though.

22 CRYSTAL STUMP: Uh-huh.

23 BENNY WAMPLER: That's where we had a little  
24 trouble trying to sort out whether or not you need a new  
25 tract identification.

1           LESLIE K. ARRINGTON: I'll just have to check back  
2 on that.

3           BENNY WAMPLER: Okay.

4           LESLIE K. ARRINGTON: I mean, I'm not---.

5           BENNY WAMPLER: All right. Right.

6           CRYSTAL STUMP: I request approval of the  
7 application pending the supplementation on the tract.

8           BENNY WAMPLER: Mr. Brent?

9           MASON BRENT: I'd just like to hear a little bit  
10 more about what you're doing and when you're going to get  
11 some closure on this individual interest issue.

12           LESLIE K. ARRINGTON: Individual. Well, they  
13 continue...we purchased some of the...let me get back to it.  
14 One thing that we done in that area, we had this well staked  
15 for a long time. We had a coal interest out there. It was  
16 part of the...I believe it was a Strouth tract also that we  
17 had to purchase before we could even permit the tract...  
18 permit the well because consent to stimulate. Our landmen  
19 continually update and that's the reason some many of these  
20 exhibits get changed on us. We continue to check with  
21 surface owners, oil and gas owners when we don't have an  
22 individual interest, checking the courthouse, title records  
23 to update that information. So, to tell you how long it's  
24 going to take, I can't.

25           MASON BRENT: How can...how can folks like this

1 make an educated or intelligent decision as to whether to  
2 participate or blah, blah, blah, unless they know what their  
3 interest is?

4 LESLIE K. ARRINGTON: I understand. I'll have our  
5 landman, again, talk to him and see if he knows more about  
6 the family history, chain and see if we can't get it to that  
7 point to where he can make, as you say, an intelligent  
8 decision.

9 BENNY WAMPLER: Is it reasonable to report back to  
10 us next month on---?

11 LESLIE K. ARRINGTON: Sure. It's not a problem.

12 BENNY WAMPLER: ---where you are with that?

13 LESLIE K. ARRINGTON: Not a problem.

14 CLYDE KING: Delay it to next month?

15 MAX LEWIS: I move to continue it.

16 MASON BRENT: Yeah, I'm...Mr. Chairman, I'm just  
17 having a little trouble right now how we can approve it when  
18 these folks don't know---.

19 MAX LEWIS: I make a motion to continue it until  
20 next month.

21 CLYDE KING: Delay any action at all?

22 MAX LEWIS: Yeah.

23 CLYDE KING: I second.

24 BENNY WAMPLER: Any further discussions?

25 (No audible response.)

1           BENNY WAMPLER: All in favor, signify by saying  
2 yes.

3           (All members signify by saying yes.)

4           BENNY WAMPLER: Opposed, say no,  
5           (No audible response.)

6           BENNY WAMPLER: It's continued to next month. The  
7 next item on the agenda is a petition from Pocahontas Gas  
8 Partnership for pooling of a coalbed methane unit under the  
9 Oakwood Coalbed Methane Field...Gas Field I order identified  
10 as EE-38, docket number VGOB-02-05/21-1029.

11           For you folks, just to make sure you understand,  
12 we've continued the case until next month. That's your  
13 decision whether you reappear here. You're already on  
14 record. You're welcome to come next month. What you've said  
15 will be a part of the record that we'll continue to discuss.  
16 Thank you.

17           NEDIE PRICE: Thank you very much.

18           (Leslie K. Arrington confers with Mr. and Mrs.  
19 Price.)

20           CRYSTAL STUMP: I'm Crystal Stump, appearing on  
21 behalf of Pocahontas Gas Partnership. With me is Les  
22 Arrington.

23

24

25

1 LESLIE K. ARRINGTON

2 DIRECT EXAMINATION

3 QUESTIONS BY MS. STUMP:

4 Q. Is the applicant Pocahontas Gas Partnership?

5 A. Yes, it is.

6 Q. And is Pocahontas Gas Partnership a Virginia  
7 General Partnership whose two partners are Consol Energy,  
8 Inc. and Consolidation Coal Company?

9 A. Yes, it is.

10 Q. And is Pocahontas Gas Partnership authorized  
11 to do business in Virginia?

12 A. Yes, it is.

13 Q. Are you requesting that Pocahontas Gas  
14 Partnership be designated as the unit operator by the VGOB?

15 A. Yes, we are.

16 Q. And is PGP also authorized to do business in  
17 the Commonwealth of Virginia?

18 A. Yes, it is.

19 Q. Is it registered with the DMME?

20 A. Yes, it is.

21 Q. And does it have a blanket bond on file as  
22 required by law?

23 A. Yes.

24 Q. With respect to the respondents, are the  
25 names of the persons to be pooled listed in the notice of

1 hearing in exhibit B-3?

2 A. Yes, they are.

3 Q. And are the addresses of the respondents  
4 listed in the notice also set forth in exhibit B-3?

5 A. Yes, they are.

6 Q. Do you desire at this time to amend, to add  
7 or dismiss any respondents?

8 A. No.

9 Q. Has Pocahontas Gas Partnership exercised due  
10 diligence to identify and locate persons having record title  
11 to oil, gas and/or coal?

12 A. Yes, we have.

13 Q. In identifying such persons, has PGP  
14 exercised due diligence to try to locate them?

15 A. Yes, we have.

16 Q. Have you mailed notice to all of those for  
17 whom addresses were available?

18 A. Yes, we have. We mailed by certified  
19 mail/return receipt requested on April the 19th of 2002. It  
20 was published in the Bluefield Daily Telegraph on April the  
21 26th of 2002. After which we discovered that we had the  
22 wrong county identified. We republished and remailed on  
23 April the 26th of 2002 and published it in the Bluefield  
24 Daily Telegraph on April the 30th of 2002.

25 Q. And the unit was incorrectly originally

1 identified as being in Buchanan County rather than in  
2 Tazewell County?

3 A. Yes, it was.

4 Q. And have you provided certificates of notice  
5 and publication with the exhibits which were tendered today?

6 A. Yes, we have.

7 Q. Can you describe the interest sought to be  
8 pooled?

9 A. Yes, I can. For coalbed methane interest,  
10 we have 100% of the coal interest leased, we're seeking...we  
11 have 85.2% of the coalbed methane interest from the oil and  
12 gas owner leased. We're seeking to pool 14.8% of the coalbed  
13 methane interest from the oil and gas owner and we have 100%  
14 of the coal leased beneath this unit?

15 Q. What are the lease terms?

16 A. Our standard lease terms are a \$1 per acre  
17 per year for a coalbed methane lease with a five year paid up  
18 term and a one-eighth production royalty.

19 Q. Okay. And the rental is only payable on an  
20 annual basis until production commences?

21 A. That's correct.

22 Q. And thereafter only royalty is payable?

23 A. Correct.

24 Q. Do you recommend these terms to the Board to  
25 be included into order which would pertain to persons deemed

1 to be leased?

2 A. Yes, we would.

3 Q. Have you made efforts to enter into

4 voluntary agreements?

5 A. Yes, we have.

6 Q. Is the unit an 80 acre frac well unit under

7 the Oakwood I rules?

8 A. Yes, it is.

9 Q. And do you seek to pool and develop all coal

10 seams below the Tiller under the Oakwood I Field Rules?

11 A. Yes, we do.

12 Q. What are the number of wells currently

13 drilled or proposed?

14 A. One, well EE-38. It was drilled to a total

15 depth of 2,230.27 feet, an estimated cost of \$200,079.42.

16 Q. Does exhibit B-3 set forth the respondents

17 interest in the unit?

18 A. Yes, it does.

19 Q. And is this percentage listed relevant to

20 both royalty interest and participation as either a

21 participant or a carried person?

22 A. Yes, it does.

23 Q. Is the applicant's plan of development a

24 reasonable plan for development of the coalbed methane

25 resource within and under the unit for the benefit of the

1 owners of the resource?

2 A. Yes, it is.

3 Q. And will it also contribute to the  
4 protection of the rights of the owners of the methane within  
5 and under the unit in question?

6 A. Yes, it is.

7 Q. And does it also lessen the likelihood of  
8 both physical and economic waste?

9 A. Yes.

10 Q. Is escrow required on this unit?

11 A. Yes, it is for numerous tracts.

12 Q. Is that for conflicting claims?

13 A. Yes, it is.

14 Q. And that's set forth in exhibit E?

15 A. Yes, it is.

16 CRYSTAL STUMP: The applicant doesn't have any  
17 further and request that the application be granted.

18 BENNY WAMPLER: Questions from members of the  
19 Board?

20 (No audible response.)

21 BENNY WAMPLER: You're drilled the well on  
22 Absher...James Absher?

23 LESLIE K. ARRINGTON: Yes, sir, we did.

24 BENNY WAMPLER: No question. Is there a motion?

25 MASON BRENT: Mr. Chairman, I move that we grant

1 the application.

2 MAX LEWIS: I second.

3 BENNY WAMPLER: Motion to grant and second. Any  
4 further discussions?

5 (No audible response.)

6 BENNY WAMPLER: All in favor, signify by saying  
7 yes.

8 (All members signify by saying yes.)

9 BENNY WAMPLER: Opposed, say no.

10 (No audible response.)

11 BENNY WAMPLER: You have approval. Thank you very  
12 much.

13 CRYSTAL STUMP: Thank you.

14 BENNY WAMPLER: Do you all want to take five while  
15 the next group comes in?

16 (Board members indicate affirmatively.)

17 (Break.)

18 BENNY WAMPLER: Okay, the next item on the  
19 agenda---.

20 CLYDE KING: Sorry to hold you up.

21 BENNY WAMPLER: ---is a petition from Equitable  
22 Production Company for pooling of a coalbed methane unit  
23 under the Nora Coalbed Gas Field Order identified as VC-  
24 504659. This is docket number VGOB-02-05/21-1030. We'd ask  
25 the parties that wish to address the Board in this matter to

1 come forward at this time.

2 JIM KISER: Mr. Chairman and members of the Board,  
3 Jim Kiser on behalf of Equitable Production Company. Our  
4 witness in this matter will be Mr. Don Hall. We'd ask that  
5 the be sworn at this time.

6 (Don Hall is duly sworn.

7 BENNY WAMPLER: The record will show there are no  
8 others. You may proceed.

9

10 DON HALL

11 having been duly sworn, was examined and testified as  
12 follows:

13 DIRECT EXAMINATION

14 QUESTIONS BY MR. KISER:

15 Q. Mr. Hall, if you'd state your name for the  
16 record, who you're employed by and in what capacity?

17 A. My name is Don Hall. I'm employed by  
18 Equitable Production Company as District Landman.

19 Q. And do your responsibilities include the  
20 land...lands involved for this unit and the surrounding area?

21 A. Yes.

22 Q. Are you familiar with and have you reviewed  
23 Equitable's application seeking a pooling order for EPC well  
24 number VC-504659, which was dated April the 19th, 2002?

25 A. Yes.

1 Q. And is Equitable seeking to force pool the  
2 drilling rights underlying the drilling and spacing unit as  
3 depicted at Exhibit A, that being the plat to the  
4 application?

5 A. Yes.

6 Q. And does the location proposed for this well  
7 VC-504659 fall within the Board's order for the Nora Coalbed  
8 Gas Field?

9 A. It does.

10 Q. Now, prior to filing the application, were  
11 efforts made to contact each of the respondents listed in  
12 exhibit B and an attempt made to work out a voluntary lease  
13 in regard to the development of the unit involved?

14 A. Yes.

15 Q. Does Equitable own drilling rights within  
16 the unit involved?

17 A. We do.

18 Q. Okay. At this time, what is the interest of  
19 Equitable within the gas estate in the unit?

20 A. We have under lease 88.26% at this time.

21 Q. Okay. And the interest of Equitable in the  
22 coal estate?

23 A. 100%.

24 Q. Okay. And all...are all unleased parties  
25 set out in exhibit B to the application?

1           A.       They are.

2           Q.       Are you familiar with the ownership of  
3 drilling rights of parties other than Equitable underlying  
4 this unit?

5           A.       Yes.

6           Q.       And what is the interest within in the gas  
7 estate that remains unleased?

8           A.       11.74%

9           Q.       Okay. In this particular instance, all  
10 those parties are in Tract No.9. And did we make...in the  
11 some of those parties a number of them are unknown.

12          A.       Excuse me, they're in Tract 9 and 10.

13          Q.       Tract 9 and 10. A lot of the parties are  
14 unknown. Did we make reasonable and diligent efforts to  
15 check and identify and locate these unknown heirs, which  
16 include primary sources such as deed records, probate  
17 records, accessory's records, treasurer's records, and in  
18 addition, secondary sources such as telephone directories,  
19 city directories, family and friends?

20          A.       Yes.

21          Q.       In your professional opinion, was due  
22 diligence exercised to locate each of the respondents named  
23 in exhibit B?

24          A.       Yes.

25          Q.       Now, are the addresses set out in Exhibit B

1 to the application the last known addresses for the  
2 respondents?

3 A. They are.

4 Q. Are you requesting this Board to force pool  
5 all the unleased interest listed at Exhibit B?

6 A. We are.

7 Q. Now, are you familiar with the fair market  
8 value of drilling rights in the unit here and in the  
9 surrounding area?

10 A. Yes.

11 Q. Could you advise the Board as to what those  
12 are?

13 A. We pay a \$5 bonus on a five year term and  
14 one-eighth royalty.

15 Q. Did you gain this familiarity by acquiring  
16 oil and gas leases, coalbed methane leases and other  
17 agreements involving the transfer of drilling rights in the  
18 unit involved here and in the surrounding area?

19 A. Yes.

20 Q. And in your professional opinion, do the  
21 terms you have testified to represent the fair market value  
22 of and the fair and reasonable compensation to be paid for  
23 drilling rights within this unit?

24 A. Yes, it does.

25 Q. Now, do you recommend that the respondents

1 listed at exhibit B remain unleased be allowed the following  
2 options with respect to their ownership interest within the  
3 unit: One, participation; two, a cash bonus of \$5 per net  
4 mineral acre plus a one-eighth of eight-eighths royalty;  
5 three, in lieu of the cash bonus and one-eighth of eight-  
6 eighths royalty, a share in the operation of the well on a  
7 carried basis as a carried operator under the following  
8 conditions: A carried operator shall be entitled to the  
9 share of production from the tracts pooled accruing to his  
10 interest exclusive of any royalty or overriding royalty  
11 reserved in any leases, assignments thereof or agreements  
12 relating thereto of such tracts, but only after the proceeds  
13 applicable to his share equal, A) 300% of the share of such  
14 cost applicable to the interest of the carried operator of a  
15 leased tract or portion thereof; or B) 200% of the share of  
16 such cost applicable to the interest of the carried operator  
17 of an unleased tract or portion thereof?

18 A. Yes.

19 Q. Do you recommend that the order provide that  
20 the elections by any respondent be in writing and sent to the  
21 applicant at Equitable Production Company, 1710 Pennsylvania  
22 Avenue, P. O. Box 2347, Charleston, West Virginia, zip code,  
23 25328, Attention: Melanie Freeman, Regulatory?

24 A. Yes.

25 Q. And should this be the address for all

1 communications with the applicant concerning the force  
2 pooling order?

3 A. Yes.

4 Q. Do you recommend that the pooling order  
5 provide that if no written election is properly made by a  
6 respondent, then such respondent shall be deemed to have  
7 elected the cash royalty option in lieu of participation?

8 A. Yes.

9 Q. Should unleased respondents be given 30 days  
10 from the date of the execution of the Board order to file  
11 their written elections?

12 A. Yes.

13 Q. And if an unleased respondent elects to  
14 participate, should they be given 45 days to pay the  
15 applicant for their proportionate share of the well costs?

16 A. Yes.

17 Q. Do you expect any applicant electing to  
18 participate to pay to pay their share of completed well costs  
19 in advance?

20 A. Yes.

21 Q. Should the applicant be allowed a 120 days  
22 following the recordation date of the Board order and  
23 thereafter annually on that date until production is achieved  
24 to pay or tender any cash bonus becoming due under any force  
25 pooling order?

1           A.       Yes.

2           Q.       Do you recommend that the order provide that  
3 if a respondent elects to participate but fails to pay their  
4 proportionate share of well costs satisfactory to the  
5 applicant for payment of the those costs, then their election  
6 to participate shall be treated as having been withdrawn and  
7 void and such respondent should be treated just as if no  
8 initial election had been filed under the force pooling  
9 order, in other words, deemed to have leased?

10          A.       Yes.

11          Q.       Do you recommend that the order provide that  
12 where a respondent elects to participate but defaults in  
13 regard to the payment of well costs, any cash sum becoming  
14 payable to that respondent be paid within 60 days after the  
15 last date on which such respondent could have paid or made  
16 satisfactory arrangements for the payment of those costs?

17          A.       Yes.

18          Q.       Okay. Now, in this particular case, we're  
19 pooling a CBM well. We have both unknown interest owners and  
20 conflicting claimants. So, does the Board need to establish  
21 an escrow account for this well?

22          A.       Yes.

23          Q.       Okay, and who should be named the operator  
24 under any force pooling order?

25          A.       Equitable Production Company.

1 Q. All right, Mr. Hall, what's the proposed  
2 depth of the well under the plan of development?

3 A. 1937 feet.

4 Q. And will this be sufficient to penetrate and  
5 test any common sources as supplied in the subject  
6 formations?

7 A. Yes.

8 Q. What are the estimated reserves for the  
9 unit?

10 A. 300,000,000 cubic feet.

11 Q. Are you familiar with the well costs for the  
12 proposed well under the plan of development?

13 A. Yes.

14 Q. Has an AFE been reviewed, signed and  
15 submitted to the Board---

16 A. It has.

17 Q. ---as exhibit C? Was this AFE prepared by  
18 an engineering department knowledgeable in the preparation of  
19 AFEs and knowledgeable in regard to well costs in this area?

20 A. It was.

21 Q. In your professional opinion, does the AFE  
22 represent a reasonable estimate of the well costs under the  
23 plan of development?

24 A. It does.

25 Q. Could you state for the Board at this time

1 both the dry hole costs and the completed well costs for  
2 504659?

3 A. The dry hole costs are \$78,203 and the  
4 completed well costs is \$172,998.

5 Q. Do these costs anticipate a multiple  
6 completion?

7 A. They do.

8 Q. Does your AFE include a reasonable charge  
9 for supervision?

10 A. It does.

11 Q. In your professional opinion, would the  
12 granting of this application be in the best interest of  
13 conservation, the prevention of waste, and the protection of  
14 correlative rights?

15 A. Yes.

16 JIM KISER: Nothing further of this witness at this  
17 time, Mr. Chairman.

18 BENNY WAMPLER: Any questions from members of the  
19 Board?

20 (No audible response.)

21 CLYDE KING: Motion we approve.

22 BENNY WAMPLER: Motion to approve. Is there a  
23 second?

24 MASON BRENT: Second.

25 BENNY WAMPLER: Any further discussion?

1 (No audible response.)

2 BENNY WAMPLER: All in favor, signify by saying  
3 yes.

4 (All members signify by saying yes.)

5 BENNY WAMPLER: Opposed, say no.

6 (No audible response.)

7 BENNY WAMPLER: You have approval. Thank you.

8 DON HALL: Thank you.

9 BENNY WAMPLER: The next item on the agenda is a  
10 petition from Columbia Natural Resources, Incorporated for a  
11 pooling of a conventional gas unit identified as CNR-24727.  
12 This is docket number VGOB-02-05/21-1031. We'd ask the  
13 parties that wish to address the Board in this matter to come  
14 forward at this time.

15 MASON BRENT: Mr. Chairman, I feel I must recuse  
16 myself from this hearing.

17 BENNY WAMPLER: All right.

18 (Mr. Kiser distributes copies of CVs.)

19 BENNY WAMPLER: The record will show that Mr. Brent  
20 has recused himself. We still have a quorum. He is just not  
21 voting.

22 JIM KISER: Mr. Chairman and members of the Board,  
23 Jim Kiser on behalf of Columbia Natural Resources. Our  
24 witnesses in this matter will be Ms. Lynette Greene and Mr.  
25 Robert Keenan. We'll ask that both of them be sworn at this

1 time.

2 (Ms. Greene and Mr. Keenan are duly sworn.)

3 JIM KISER: Both of our witnesses are new to this  
4 administrative hearing procedure. I have prior to the  
5 hearing passed out some resumes that they have provided that  
6 we'll go through in their testimony. Ms. Greene will be  
7 first.

8

9 LYNETTE GREENE

10 having been duly sworn, was examined and testified as  
11 follows:

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. KISER:

14 Q. Ms. Greene, if you could state your name for  
15 the Board, who you're employed by and in what capacity?

16 A. I'm Lynette Greene. I'm employed with  
17 Columbia Natural Resources as a land representative.

18 Q. And as I just stated, this is the first time  
19 that you've had the pleasure of testifying before the  
20 Virginia Gas and Oil Board. At this time, could you go  
21 through your resume and highlight both you educational  
22 background and your employment history for them?

23 A. Okay. My educational background consists of  
24 a technical degree in Business from Carl D. Perkins Education  
25 Center. I'm a licensed realtor in the State of Kentucky and

1 have completed course work through the University of  
2 Kentucky's Prestonsburg campus towards a bachelors degree in  
3 business administration. I've worked twenty-three years in  
4 the oil and gas industry, seven years with Kentucky West  
5 Virginia Gas and sixteen years in Columbia Gas System. While  
6 at Kentucky West, I worked in the land, geological  
7 exploration departments performing duties such as oil and gas  
8 lease agreements and all paperwork involving property damage  
9 settlements, encroachments, well permitting, etc. I've held  
10 various positions with Columbia. In my current position, my  
11 duties include lease acquisition, title examination, title  
12 curative, pipe line right-of-way acquisition, negotiating of  
13 settling damages, and being involved on a regular basis in  
14 the development of CNR's Virginia Prospects.

15 Q. And, Mrs. Greene, do your responsibilities  
16 include the land involved for this unit and the surrounding  
17 area, the surrounding prospect area?

18 A. Yes.

19 JIM KISER: Mr. Chairman and members of the Board,  
20 we'd ask that Ms. Greene be accepted as a expert witness in  
21 land matters for this area.

22 Q. Now, are you familiar with our application  
23 that we filed seeking a drilling unit and pooling for CNR  
24 well number 24727, which was dated April the 19th, 2002?

25 A. Yes.

1 Q. Does CNR own drilling rights in the unit  
2 involved here?

3 A. Yes.

4 Q. And does the proposed unit depicted at  
5 exhibit A, that being the plat to the application, include  
6 all acres within a 1250 foot radius of the proposed well?

7 A. Yes.

8 Q. Now, prior to filing the application, were  
9 efforts made to contact each of the respondents listed that  
10 are listed in our exhibit B and an attempt made to work out a  
11 voluntary lease with each of them?

12 A. Yes.

13 Q. And what is the interest that CNR has leased  
14 within the unit?

15 A. 97.43%.

16 Q. And are you familiar with the ownership of  
17 drilling rights of parties other than CNR underlying this  
18 unit?

19 A. Yes.

20 Q. And what is the portion that remains  
21 unleased?

22 A. 2.57%

23 Q. Now, subsequent to the filing of your  
24 application, have you and your land department continued to  
25 attempt to reach an agreement listed with any respondents in

1 exhibit B that are not unknown?

2 A. Yes.

3 Q. With all those efforts, have you been  
4 successful...do we need to add any parties or delete any  
5 parties from the exhibit B at this time?

6 A. No.

7 Q. Okay. And are all unknown lease parties set  
8 out in our exhibit B?

9 A. Yes.

10 Q. Okay. You did mention that we have, I  
11 guess, one...only one unknown interest owner; only one  
12 unknown respondent, Wilfred L. Farley, Jr. Now, in  
13 attempting to locate him, I know we worked a lot with one of  
14 the heirs, a Randy Farley. Did we also make reasonable and  
15 diligent efforts to find this unknown heir including primary  
16 sources such as deed records, probate records, accessory's  
17 records, treasurer's records, and secondary sources such as  
18 telephone directories, city directories, family and friends?

19 A. Yes.

20 Q. In your professional opinion, Ms. Greene,  
21 was due diligence exercised to locate each of the respondents  
22 named in exhibit B?

23 A. Yes.

24 Q. Now, are the addresses set out in exhibit B  
25 to the application the last known addresses for the

1 respondents?

2 A. Yes.

3 Q. Are you requesting this Board to force pool  
4 all the unleased interest listed in exhibit B?

5 A. Yes.

6 Q. Now, are you familiar with the fair market  
7 value of drilling rights in the unit here and in the  
8 surrounding area?

9 A. Yes.

10 Q. Could you advise the Board as to what those  
11 are?

12 A. A \$5 bonus, a five year term and one-eighth  
13 royalty.

14 Q. Okay. Did you gain this familiarity and  
15 this knowledge by acquiring oil and gas leases and other  
16 agreements involving the transfer of drilling rights in the  
17 unit involved here and in the surrounding area?

18 A. Yes.

19 Q. In your professional opinion, do the terms  
20 you have testified to represent the fair market value of and  
21 the fair and reasonable compensation to be paid for drilling  
22 rights within this unit?

23 A. Yes.

24 Q. Okay, now, in accordance with...I guess,  
25 since we have a different operator I can't incorporate the

1 testimony from the previous hearing. In regard to the  
2 parties who remain unleased, do you recommend that they be  
3 allowed the following options with regard to their ownership  
4 interest within the unit: One, participation; two, a cash  
5 bonus of \$5 per net mineral acre plus a one-eighth of eight-  
6 eights royalty; three, in lieu of a cash bonus and one-eighth  
7 of eight-eights royalty, share in the operation of the well  
8 on a carried basis as a carried operator under the following  
9 conditions: Such carried operator shall be entitled to the  
10 share of production from the tracts pooled accruing to his  
11 interest exclusive of any royalty or overriding royalty  
12 reserved in any leases, assignments thereof or agreements  
13 relating thereto of such tracts, but only after the proceeds  
14 applicable to his share equal, A) 300% of the share of such  
15 cost applicable to the interest of the carried operator of a  
16 leased tract or portion thereof; or B) 200% of the share of  
17 such cost applicable to the interest of the carried operator  
18 of an unleased tract or portion thereof?

19 A. Yes.

20 Q. Do you recommend that the order provide that  
21 the elections by respondents be in writing and sent to the  
22 applicant at Columbia Natural Resources, Inc., 900  
23 Pennsylvania Avenue, Charleston, West Virginia, zip code,  
24 25302, Attention: Mary Sue Shulberg.

25 A. Yes.

1 Q. And should this be the address for all  
2 communications with the applicant by the respondents  
3 concerning the force pooling order?

4 A. Yes.

5 Q. All right. Now, do you recommend that the  
6 order provide that if no written election is properly made by  
7 a respondent, then such respondent shall be deemed to have  
8 elected the cash royalty option in lieu of participation?

9 A. Yes.

10 Q. Should unleased respondents be given 30 days  
11 from the date the Board order is executed to file their  
12 written elections?

13 A. Yes.

14 Q. And if an unleased respondent elects to  
15 participate, should they be given 45 days to pay for their  
16 proportionate share of the well costs?

17 A. Yes.

18 Q. Does the applicant expect any party electing  
19 to participate to pay those costs in advance?

20 A. Yes.

21 Q. Should the applicant be allowed a 120 days  
22 following the recordation date of the Board order and  
23 thereafter annually on that date until production is achieved  
24 to pay or tender any cash bonus becoming due under the force  
25 pooling order?

1 A. Yes.

2 Q. Do you recommend that the order provide that  
3 if a respondent elects to participate but fails to pay their  
4 proportionate share of well costs satisfactory to the  
5 applicant for payment of the those costs, then their election  
6 to participate shall be treated as having been withdrawn and  
7 void?

8 A. Yes.

9 Q. Do you recommend that the order provide that  
10 where a respondent elects to participate but defaults in  
11 regard to the payment of well costs, any cash sum becoming  
12 payable to such respondent be paid within 60 days after the  
13 last date on which such respondent could have paid or made  
14 satisfactory arrangements for the payment of those costs?

15 A. Yes.

16 Q. Okay. Now, in this particular case, it's a  
17 conventional well and we have one unknown interest owner.  
18 So, does the Board need to establish an escrow account to  
19 cover that interest?

20 A. Yes.

21 Q. Yes?

22 A. Yes.

23 Q. And who should be named the operator under  
24 the force pooling order?

25 A. Columbia Natural Resources.

1           JIM KISER: Nothing further of this witness at this  
2 time, Mr. Chairman.

3           BENNY WAMPLER: Would you repeat the person and the  
4 address for the elections?

5           JIM KISER: Yes. Columbia Natural Resources, Inc.,  
6 900 Pennsylvania Avenue, Charleston, West Virginia 25302,  
7 and it's Mary Sue, two words, Shulberg, S-C-H-U-L-B-E-R-G.

8           BENNY WAMPLER: Any questions of this witness from  
9 members of the Board?

10           (No audible response.)

11           BENNY WAMPLER: Call your next witness.

12           JIM KISER: Okay, our next witness as to the  
13 operational matters will Mr. Robert Keenan.

14

15                           ROBERT KEENAN

16 having been duly sworn, was examined and testified as  
17 follows:

18                           DIRECT EXAMINATION

19           QUESTIONS BY MR. KISER:

20                   Q.       Mr. Keenan, if you'd state who you're  
21 employed by, in what capacity and then we'll have you go  
22 through your resume for the Board?

23                   A.       Columbia Natural Resources, currently lead  
24 prospect engineer. I've had over twenty years of experience  
25 in the oil and gas industry. The first five years, I was

1 working with Cabot Oil and Gas primarily in field operations  
2 as a field engineer looking after the drilling and completion  
3 operations. The past fifteen years, I've been more or less  
4 in the engineering or the reservoir engineering capacity.  
5 During that term, I had roughly nine years with Columbia  
6 Natural Resources, whose areas of responsibility included  
7 Southeastern Kentucky and Virginia. I had a five year break  
8 in between where I worked for Columbia Gas Transmission  
9 within the storage department. Since June of last year,  
10 either on a temporary and a permanent basis in September, I  
11 returned to Columbia Natural Resources. I'm currently  
12 working as a lead prospect engineer in the reservoir  
13 engineering department.

14 Q. And your responsibilities include the land  
15 involved in both the unit here and in this prospect area?

16 A. Yes.

17 JIM KISER: Mr. Chairman and members of the Board  
18 we'd ask that Mr. Keenan be accepted...his qualifications be  
19 accepted as a expert on operational issues.

20 BENNY WAMPLER: You may proceed.

21 Q. Now, you're familiar with the exploration  
22 and development in the unit involved here and the proposed  
23 plan for that development?

24 A. Yes.

25 Q. And what is the total depth of the proposed

1 well under the plan of development?

2 A. 5300 feet.

3 Q. And will this be sufficient to penetrate and  
4 test the common sources as supplied in the subject  
5 formations?

6 A. Yes.

7 Q. Is the applicant requesting the force  
8 pooling of conventional gas reserves not only to include the  
9 designated formations but any other formations excluding coal  
10 formations which may be between those formations designated  
11 from the surface to the total depth drilled?

12 A. Yes.

13 Q. What are the estimated reserves for this  
14 unit?

15 A. 400,000,000 standard cubic feet.

16 Q. Are you familiar with the well costs for the  
17 proposed plan of development?

18 A. Yes.

19 Q. And we submitted an AFE which was signed as  
20 exhibit C to the application?

21 A. Yes.

22 Q. And you reviewed the same?

23 A. Yes.

24 Q. And the AFE was prepared by an engineering  
25 department knowledgeable in the preparation of AFEs and

1 knowledgeable in regard to well costs in this area?

2 A. Yes.

3 Q. In your professional opinion, does this AFE  
4 represent a reasonable estimate of the well costs under the  
5 plan of development?

6 A. Yes.

7 Q. Could you state for the Board at this time  
8 both the dry hole costs and completed well costs for 24727?

9 A. The dry hole costs are \$169,302, the  
10 completed well costs \$331,212.

11 Q. Now, do these costs anticipate a multiple  
12 completion?

13 A. Yes.

14 Q. Does your AFE include a reasonable charge  
15 for supervision?

16 A. Yes.

17 Q. In your professional opinion, would the  
18 granting of this application be in the best interest of  
19 conservation, the prevention of waste, and the protection of  
20 correlative rights?

21 A. Yes.

22 JIM KISER: Nothing further of this witness at this  
23 time, Mr. Chairman.

24 BENNY WAMPLER: Any questions from members of the  
25 Board?

1 (No audible response.)

2 BENNY WAMPLER: They're letting these witnesses off  
3 easy for the first time.

4 (Everyone laughs.)

5 JIM KISER: If there are no questions...if there  
6 are no questions, we'd request that the application be  
7 approved as submitted.

8 CLYDE KING: We're pretty good people.

9 (Everyone laughs.)

10 BENNY WAMPLER: Is there a motion?

11 CLYDE KING: I move we accept.

12 BENNY WAMPLER: Is there a second? It'll have to  
13 be you, buddy.

14 MAX LEWIS: I second it.

15 BENNY WAMPLER: The motion and second. Any further  
16 discussion?

17 (No audible response.)

18 BENNY WAMPLER: All in favor, signify by saying  
19 yes.

20 (All members signify by saying yes.)

21 BENNY WAMPLER: Opposed, say no.

22 (No audible response.)

23 BENNY WAMPLER: You have approval. Thank you. Mr.  
24 Wilson, do you have anything for us?

25 BOB WILSON: No, sir.

BENNY WAMPLER: The Board members, thank you very much. That concludes today's hearing.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording machine and later transcribed by me personally.

Given under my hand and seal on this the 11th day  
of June, 2002.

Sonya Michelle Brown  
NOTARY PUBLIC

My commission expires: August 31, 2005.

**MAY 2002****VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY****VIRGINIA GAS AND OIL BOARD**

Pursuant to Section 45.1-361.9.B and 45.1-361.22.B of the Code of Virginia, the Virginia Gas and Oil Board will conduct hearings commencing at 9 a.m. on Tuesday, May 21, 2002, at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, Virginia. The following items are on the agenda:

1. The Virginia Gas and Oil Board will reconvene Docket VGOB-93-02/16-0328-01, Unit Q 40, for further consideration of applications filed by certain claimants for the calculation and thereafter disbursement to them of funds on deposit in the drilling unit escrow account based upon claimants' stipulated settlement of their conflicting claims to the ownership of coalbed methane gas production allocable to tracts three and four wherein they own coal and gas rights. Docket VGOB-93-02/16-0328-01.
2. The Virginia Gas and Oil Board will consider a petition from Buchanan Production Company under Section 45.1-361.22 for pooling of a coalbed methane unit under the Oakwood Coalbed Methane Gas Field I order, Beatrice Mine Sealed Gob Area identified as N-20 located in the South Grundy District, Keen Mountain Quadrangle, Buchanan County, Virginia. Docket Number VGOB-02-05/21-1026.
3. The Virginia Gas and Oil Board will consider a petition from Buchanan Production Company under Section 45.1-361.22 for pooling of a coalbed methane unit under the Oakwood Coalbed Methane Gas Field I order identified as ZZZ-20 located in the South Grundy/North Grundy Districts, Patterson/Grundy Quadrangles, Buchanan County, Virginia. Docket Number VGOB-02-05/21-1027.
4. The Virginia Gas and Oil Board will consider a petition from Buchanan Production Company under Section 45.1-361.22 for pooling of a coalbed methane unit under the Oakwood Coalbed Methane Gas Field I order identified as ZZZ-23 located in the South Grundy/Garden Districts, Patterson Quadrangle, Buchanan County, Virginia. Docket Number VGOB-00 09/19-0822-01.
5. The Virginia Gas and Oil Board will consider a petition from Pocahontas Gas Partnership under Section 45.1-361.22 for pooling of a coalbed methane unit under the Middle Ridge 1 Coalbed Methane Gas Field Order and identified as AZ-115 located in the New Garden District, Honaker Quadrangle, Russell County, Virginia. Docket Number VGOB-02-05/21 1028.
6. The Virginia Gas and Oil Board will consider a petition from Pocahontas Gas Partnership under Section 45.1-361.22 for pooling of a coalbed methane unit under the Oakwood Coalbed Methane Gas Field I order identified as EE-38 located in the Maiden Springs District, Keen Mountain Quadrangle, Tazewell County, Virginia. Docket Number VGOB-02-05/21-1029.
7. The Virginia Gas and Oil Board will consider a petition from Equitable Production Company under Section 45.1-361.22 for pooling of a coalbed methane unit under the Nora Coalbed Gas Field order identified as VC-504659 located in the Kenady District, Nora Quadrangle, Dickenson County, Virginia. Docket Number VGOB-02-05/21-1030.

8. The Virginia Gas and Oil Board will consider a petition from Columbia Natural Resources, Inc. under Section 45.1-361.21 for pooling of a conventional gas unit identified as CNR 24727 located in the Knox District, Wharnccliffe Quadrangle, Buchanan County, Virginia. Docket Number VGOB-02-05/21-1031.

Information concerning the above docket items can be viewed from 8 a.m. to 5 p.m., Monday through Friday at the office of the Commonwealth of Virginia, Department of Mines, Minerals and Energy, Division of Gas and Oil, 230 Charwood Drive, Abingdon, Virginia. All questions concerning the above agenda should be directed to the Division of Gas and Oil by telephoning 276 676-5423.

Special accommodations for the disabled will be made available at the hearing on request. Anyone needing special accommodations for the May hearing should contact the Department of Mines, Minerals and Energy, Division of Gas and Oil at 276 676-5423 or call the Virginia Relay Center TTY/TDD 1-800-828-1120 or 1140 by May 13, 2002. The deadline for filing of petitions to the Board for the June 2002 hearing is 5 p.m., May 17, 2002 with the hearing scheduled for 9 a.m. on Tuesday, June 18, 2002 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.

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